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THE SUBSTANTIAL NEW PROGRAMME OF ACTION FOR THE 1980S FOR THE LEAST DEVELOPED COUNTRIES: A REVIEW OF THE DECADE IN AFRICA AND POLICY ISSUES IN THE 1990S.

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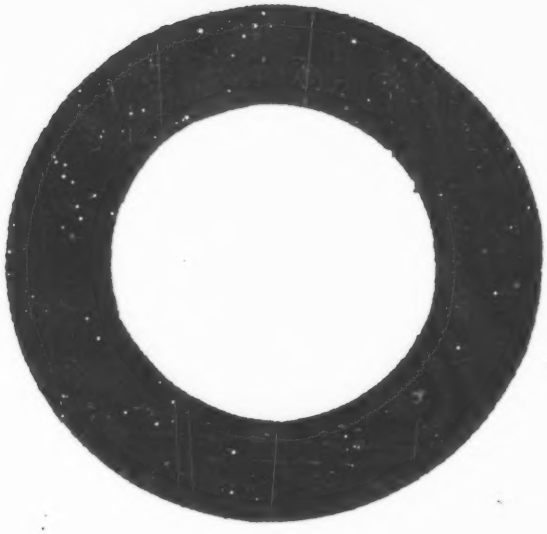

INTRODUCTION

1. At the inaugural session of UNCTAD in Geneva in 1964, the conference, after considering the peculiar socio-economic characteristics, developmental problems and growth prospects of the LDCs came to the inescapable conclusion that because of their structural rigidities and extreme vulnerability to external shocks, only dramatic action by the international community, on a scale far transcending previous efforts, could assist them to accelerate their pace of development. In response to that challenge, the fifth session of UNCTAD in Manila in 1979, unanimously adopted resolution 122(V) on a comprehensive programme of action for the LDCs. The Programme listed the immediate measures to be undertaken during 1979-1981 and made a commitment to elaborate a more substantive and action-oriented programme to deal boldly with the structural problems and long-term development objectives of the LDCs.

2. The implementation of the immediate phase component was disappointingly slow. Consequently, in accordance with United Nations General Assembly resolution 34/203 of 17 December 1979, UNCTAD convened an international conference on the LDCs in Paris in September 1981 which adopted the Substantial New Programme of Action (SNPA) for the 1980s for the least developed countries. [1] The SNPA is a long-term programme comprising domestic measures to be taken by the LDCs and complementary international actions aimed at fully implementing the Programme. Its main objectives were to promote the necessary structural changes required to overcome the LDCs' extreme economic difficulties and enable them to achieve adequate internationally acceptable minimum standards of living. During the 1980s the LDCs were to implement programmes and projects designed to increase their national income substantially and in appropriate cases to double it by 1990 as compared with the levels of the late 1970s requiring in effect, an annual average growth rate of 7.2 per cent.

3. Despite the SNPA, the African LDCs have continued to face extreme economic and financial difficulties throughout the 1980s which had compelled

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[1] United Nations: Report of the United Nations Conference on the least developed countries, Paris, 1-14 September 1981, A/CONF/104/22/Rev.1.

majority of them to adopt short-term strategies and policy reform measures to restore balances in the fiscal budgets and external accounts, at the expense of pursuing the broader long-term goals of structural transformation of the SNPA. At the mid-term Global Review of the SNPA in 1985, the review of the LDCs performance indicators pointed to the failures of attaining even the basic objectives of the SNPA. The pessimism aroused by the 'review' for the rest of the 1980s also pointed to the need for a new international programme for the 1990s for the LDCs.

4. In accordance with United Nations General Assembly resolution 42/177 of 11 December 1987, UNCTAD is to convene the second United Nations Conference on the least developed countries in Paris in September 1990. The Conference is to undertake a comprehensive review and appraisal of the implementation of the SNPA in the 1980s and to consider, formulate and adopt appropriate policies and measures to accelerate the development of the LDCs in the 1990s.

5. ECA is the regional focal point for the follow-up and monitoring of the implementation of the SNPA in Africa. As directed by the General Assembly in paragraph 4 of its resolution 42/177, this paper evaluates the progress achieved in implementing the programme in African LDCs during the 1980s. Against a brief outline of the development setting of the African LDCs as a group, section I evaluates the overall economic performance and social conditions prevailing in the countries during the 1980s. Section II assesses major obstacles to the mobilization of financial resources for development financing pointing out the likelihood of an intensification of the resource problems of the LDCs in the 1990s. Section III reviews the domestic policy-measures and follow-up actions at the national and regional levels, including the aid co-ordination mechanisms. An appraisal of international support measures is made in section IV. The concluding section V summarizes the background to the policy proposals contained in the "Declaration" adopted by the African LDCs Ministers in April 1989 which reflects their basic requirements to meet the challenges of the 1990s.

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I. THE DEVELOPMENT SETTING

A. Salient characteristics

6. In 1981, 21 countries in Africa were classified as LDCs, but by 1988 the number had grown to 28. [2] Of this total, eleven are landlocked and four are island countries. [3] They are all characterized by very low per capita incomes, the majority of the population living at below minimum internationally acceptable standards in basic needs. The economies are predominantly agricultural, mainly subsistence production; extremely low agricultural productivity and weak agro-support institutions; the low share of manufacturing in GDP; inadequate levels of exploitation of natural resources, especially of minerals and energy, because of lack of knowledge, finance and skills; low per capita export levels and even with aid flows, very limited absolute availability of imports; acute scarcity of skilled personnel at all levels; weak institutional and physical infrastructure, especially in the areas of transport and communications, and major geographical and/or climatological handicaps such as a land-locked situation, insularity, drought and desertification.

7. In addition, the African LDCs also face acute population problems. Collectively, they accounted for 37 per cent of the total estimated population of 557 million of developing Africa in mid-1987. The population growth rate, currently estimated at 2.8 per cent per annum, is projected to exceed an annual average of 3 per cent in the 1990s, implying a total population in excess of 300 million by the year 2000. In general, however, the LDCs are

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[2] Benin, Botswana, Burkina Faso, Burundi, Cape Verde, the Central African Republic, Chad, Comoros, Djibouti, Equatorial Guinea, Ethiopia, the Gambia, Guinea, Guinea Bissau, Lesotho, Malawi, Mali, Mauritania, Mozambique, the Niger, Rwanda, Sao Tome and Principe, Sierra Leone, Somalia, the Sudan, Togo, Uganda and the United Republic Tanzania.

[3] Landlocked LDCs: Botswana, Burkina Faso, Burundi, Central African Republic, Chad, Lesotho, Malawi, Mali, the Niger, Rwanda and Uganda. Island LDCs: Cape Verde, Comoros, Equatorial Guinea (particularly continental), Sao Tome and Principe.

characterized by relatively small and scattered population, ranging from 0.11 million in Sao Tome and Principe, to 45.9 million in Ethiopia. [4] Seven countries (Cape Verde, Comoros, Djibouti, Equatorial Guinea, the Gambia, Guinea Bissau and Sao Tome and Principe) have populations of under a million and in only five does population exceed 10 million (Ethiopia, Mozambique, the Sudan, Uganda and the United Republic of Tanzania).

B. Economic performance and social conditions, 1980s

1. Macro-economic trends

8. Overall, the economic growth performance of the LDCs in Africa during the 1980s has been sluggish. Economic growth was severely constrained by the worldwide recession starting in 1982, which was marked by the collapse in commodity prices caused by the drastic fall in OECD demand for primary commodities. The resultant drop in export earnings led to acute shortages of foreign exchange resources of the LDCs, which weakened their capacity to finance medium-term development and structural adjustment programmes. Apart from structural problems and external factors, economic growth was seriously affected by the devastating drought of 1982-1984.

9. Available estimates (see annex 1) indicate that the African LDCs as a group posted an annual average growth rate of GDP of 2.2 per cent in 1981-1984 in real terms as compared with an average of 2.5 per cent in 1975-1980. Overall performance improved after the return of adequate rainfall in 1985 that nurtured a significant recovery in agricultural production, the main source of value added in the majority of the LDCs. As a group, the LDCs registered an average annual increase in GDP of 3.3 per cent in 1986. This performance, however, was not sustained in 1987-1988 due to recurrence of bad weather condition. As a result, GDP growth declined to 3.2 per cent in 1987 and 1.5 per cent in 1988. A semblance of recovery re-emerged in 1989 with an estimated 4.2 per cent increase in overall output. In terms of per capita GDP, a decline was recorded from an average of $US 236.7 in 1980-1984 to $US 217.8 in 1985-1986, with a slight increase registered in 1987-1988, at $US 220.9 for the LDCs as a group.

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[4] ECA: Economic Report on Africa, 1989 (April 1989).

10. The group averages conceal the dismal performance of individual economies. Table 1 shows that six countries had negative GDP growth rates during 1981-1984, eleven in 1984-1985, eight in 1986, four in 1987 and four in 1988. The growth rates of real GDP in most countries fell within the range of 0 and 2 per cent. Only three countries: Botswana, (1986, 1987 and 1988), Ethiopia (1986, 1987) and the Sudan (1986) achieved growth rates during the decade commensurate with the SNPA annual growth target of 7.2 per cent for the 1980s.

Table 1: Frequency distribution of African LDCs according to GDP growth rates, 1981-1989
(1980 constant prices)

Growth rate %	1981-84	1984-85	1986	1987	1988	1989
Negative	6	11	8	4	4	-
0-2	11	4	6	9	8	6
2-4	8	4	6	6	7	14
4-7	2	5	5	7	8	8
Above 7 *	1 [1]	4 [2]	3 [3]	2 [4]	1 [5]	-

Source: ECA.

* This table illustrates that throughout the 1980s only 6 African LDCs achieved or surpassed the SNPA growth target of 7.2 per cent per annum in the 1980s.

[1] Botswana.

[2] Botswana, Burkina Faso, Chad, Malawi.

[3] Botswana, Ethiopia and Sudan.

[4] Botswana and Ethiopia.

[5] Botswana.

2. Structural change

11. The structure of GDP has remained virtually the same, which strongly suggests that there has been very little structural change in the economies of the African LDCs during the 1980s. The agricultural sector continues to dominate GDP formation, accounting for an average of 43.3 per cent of total output during 1981-1989. On the other hand, the service sector contributed an average of 40.1 per cent, which demonstrates the increasing significance of informal sector activities in the LDCs. There is, however, a noticeable trend in the decline of agriculture sector contribution to total output from 43.7 per cent in 1980 to 42.2 per cent in 1989. Though modest, it reflects the vulnerability of African agriculture to adverse weather conditions and the inadequacy of investment allocations to the sector which are important explanatory factors of output growth in the 1980s. Due to limited industrial capabilities and the widespread below capacity utilization of existing plants, the manufacturing sector contribution to GDP was stagnant, at 9.3 per cent during 1981-1989 for the LDCs as a group.

12. Inferring also from the performance assessed below of the main commodity producing sectors (agriculture and industry) in the 1980s in per capita terms, it is obvious that the African LDCs as a group achieved no positive structural changes. Almost all the per capita output in the 1980s came from the services sector since the per capita output of the commodity producing sectors actually declined. The elasticity of manufacturing with respect to the growth of agricultural output fell significantly in the 1980s thus indicating the weakening of structural linkages within the commodity sectors.

3. Performance of main sectors

(a) Food and agriculture

13. The food and agriculture sector constitutes the basis of the economies of the African LDCs, employing over 80 per cent of the labour force; a share of 43.3 per cent of GDP and over 80 per cent of export earnings. The average annual growth rate of value added in agriculture in the African LDCs as a group was 4.9 per cent in real terms during 1981-1982 but it dropped

drastically to -3.5 and -2.1 per cent in 1983-1984 and 1984-1985 respectively, largely as a result of the adverse effects of the drought and pests. Adequate rainfall in late 1985, coupled with intense government efforts to increase investment in agriculture and to provide incentives to farmers resulted in an increase in total output. For the LDCs as a group, overall value added in real terms increased by 4.4 per cent in 1986, although it fell back to 3.0 per cent in 1987 and 0.8 per cent in 1988. Two successive years of favorable climatic conditions engendered a recovery in 1989 with an estimated 4.1 per cent increase in value added.

14. In 1984, drought affected 20 African LDCs and the worst effects were on food production, especially cereals and livestock. Estimates based on FAO data indicate that the average annual growth rate in food production declined from 5.9 per cent in 1980-1981 to 0.1 per cent in 198-1982. In 1983-1984, per capita food production dropped to its lowest level at 0.4 per cent, as compared with an increase of 2.8 per cent in 1981-1982. Cereal harvests in the 16 most seriously affected food-deficit African LDCs were so low in 1983-1984 that large-scale imports were needed to feed the population and even then, nutritional levels were far below normal requirements. The FAO production figures show that output was substantially higher in 1986/1987, with five African LDCs (Burkina Faso, Malawi, the Niger, the Sudan and Uganda) recording outputs in excess of domestic requirements. Adverse weather conditions in 1987/1988 in a number of LDCs, however, resulted in poor harvests necessitating the large-scale importation of food.

15. Table 2 shows that individual country performances have varied depending on the severity of the drought and on local agricultural conditions. For instance, in Ethiopia, one of the countries most seriously affected by the drought, agricultural production declined by as much as 13.1 per cent in 1984/1985. In 1987, however, better climatic conditions and government determination to recover from the adverse effects of the drought, backed by a high level of international assistance, resulted in a rise in agricultural value added of 11.2 per cent. In relation to the SNPA target of an average annual increase of 4 per cent in agricultural value added, 14 LDCs attained or surpassed the threshold in 1989 which illustrates the impact of adequate adjustment and other reform measures made firm by favourable weather conditions in the last two years of the 1980s.

Table 2: Growth rate of agricultural value added, 1981-1989 [1]
(at constant 1980 prices)

	1981-1982	1982-1983	1983-1984	1984-1985	1986	1987	1988	1989
Benin	8.8	11.3	4.3	3.0	5.3	-8.6	7.5	3.1
Botswana	-7.4	-9.9	-15.7	-11.0	0.0	-1.7	10.2	7.7
Burkina Faso	3.6	-0.8	-0.9	11.3	4.3	1.7	1.3	3.5
Burundi	3.4	-2.5	0.0	5.3	4.1	4.4	3.3	3.6
Cape Verde	-8.4	3.3	6.5	12.0	5.0	4.8	4.6	4.4
Central African Republic	4.1	-1.5	3.0	8.5	3.0	3.6	3.5	5.6
Chad	-3.1	4.4	-10.3	-17.7	-1.5	-0.7	2.6	2.6
Comoros	3.0	3.9	2.8	4.5	3.3	4.8	1.5	4.6
Djibouti	4.6	0.0	4.7	4.2	7.7	7.1	-6.7	0.0
Equatorial Guinea	2.9	-2.8	-2.5	0.0	0.0	0.0	0.0	0.0
Ethiopia	1.2	1.7	-2.6	-13.1	9.3	11.2	-7.2	1.0
The Gambia	22.6	26.9	-1.7	-7.0	13.6	5.0	6.7	4.5
Guinea	2.6	3.7	1.0	2.0	2.8	4.9	3.2	3.3
Guinea Bissau	2.9	-2.0	0.3	5.8	-1.3	8.1	6.3	5.9
Lesotho	-7.4	-1.1	9.3	6.3	-12.5	10.7	-1.1	4.4
Malawi	4.8	5.1	5.1	3.0	1.6	1.9	0.8	5.1
Mali	6.3	-0.6	-9.8	-4.5	16.2	3.9	8.6	-1.1
Mauritania	5.4	-3.1	-21.3	-8.7	1.3	1.3	4.3	4.1
Mozambique	0.0	-11.5	-10.2	1.2	1.7	0.8	6.3	6.4
The Niger	3.8	-1.5	-8.0	-1.1	-4.6	-7.9	1.2	3.3
Rwanda	6.1	2.1	-2.4	-1.4	0.7	-0.2	0.0	3.6
Sao Tome & Principe	-17.0	-10.7	-13.6	-19.9	-14.3	-16.7	0.0	0.0
Sierra Leone	3.0	0.3	-1.2	5.1	-1.7	-1.4	-0.8	1.7
Somalia	11.2	-8.3	-0.7	13.3	-0.4	0.6	7.0	3.3
The Sudan	9.1	2.7	-5.1	-12.9	26.4	5.9	-0.7	8.5
Tanzania, United								

[1] Revised estimates for 1981-1989. Figures for 1989 are still provisional.

Republic of	2.5	-0.2	-2.2	1.0	2.6	4.4	-6.6	4.2
Togo	-4.9	-4.2	6.6	7.9	4.8	0.0	2.4	4.4
Uganda	8.4	7.6	-2.8	-7.0	-7.8	4.9	1.1	5.0
All African LDCs	4.9	0.5	-3.5	-2.1	4.4	3.0	0.8	4.1

Source: ECA secretariat.

16. Many reasons have been advanced for the serious gap in agricultural output in African LDCs, besides the recurrence of drought conditions and other adverse climatic factors. There is increasing pressure on land due to rapid increases in population. Although the scope for enlarging the cultivated area in developing Africa is larger than in other continents (for example, Asia), the amount of land that can be brought into cultivation cheaply tends to be exaggerated. The notion of abundant land is increasingly being questioned. Annex II shows data on land-use patterns and agricultural population growth rates in the African LDCs. In one group of countries (Botswana, Guinea Bissau, the Sudan and Togo), the rapid growth of agricultural population was accompanied by a steady decline in the available arable land per caput between 1970 and 1985.

17. The capacity of the deteriorating eco-system to sustain the rural labour force of African LDCs in meaningful employment is eroding rapidly. In a number of LDCs, especially in the Sahelian zone, desertification is rapidly reducing the area of cultivable land. During 1983 alone, the Sahara advanced southward by at least 150 km. [6] Forest resources are fast being depleted. In Mauritania and Rwanda, forests have virtually disappeared. The loss of soil and organic matter is also a widespread problem. In Ethiopia's Wollo province, for example, the measurement of sediment in a stream draining a heavily farmed watershed indicates a soil loss of about 2 tons/ha each year, but individual fields within the same watershed experienced annual losses of

[6] United Nations Sudano-Sahelian Office, Action Plan-Sahel; United Nations, New York, 1984.

as much as 80 tons/ha. [7] The agriculture sector is further constrained by inadequate investment allocation, absence of high-yielding technological packages (i.e., fertilizers, pesticides, access to credits, etc.) and poor transport infrastructures.

18. In recognition of these impediments, the governments of LDCs have implemented reforms and have designed medium- to long-term strategies giving the highest priority to agriculture, especially to food production. Investments in the sector now takes a sizeable proportion in some of the LDCs' annual national budgets. Policies on marketing and price liberalization have been adopted, either as part of externally supported adjustment programmes or of nationally conceived economic recovery programmes. The promotion of the use of high-yielding and drought-resistant crop varieties are part of the strategies for food self-sufficiency. Regional collecting centres and storage facilities have been established in order to reduce post-harvest losses and ensure food security.

(b) Industry

19. During 1980-1986, the manufacturing sector in the African LDCs recorded an average annual growth rate of 2.4 per cent, declining to 0.4 per cent in 1987 compared with 3.1 and 3.7 per cent, respectively, for developing Africa as a whole. The share of manufacturing value added (MVA) in GDP (at constant 1980 factor cost) and MVA per capita shows that the African LDCs have a small industrial base which changed little structurally during the 1980s, in spite of policy reorientation in the context of the Industrial Development Decade for Africa (IDDA), the SNPA and the implementation of sector adjustment rehabilitation programmes.

20. Table 3 shows that the share of MVA in GDP dropped in most LDCs during 1980-1987. Of the 17 countries for which data is available, only Burkina Faso (12.9 per cent), Ethiopia (11.7 per cent), Malawi (14 per cent), the Gambia (13.3 per cent) and Rwanda (17.4 per cent) were the estimates for MVA as a percentage of GDP greater than 10 per cent in 1987. Only the Gambia ($US

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[7] Lester Brown and Edward Wold: "Reversing Africa's decline", World Watch Paper 65, World Watch Institute, June 1968.

55) and Rwanda ($US 40) achieved at least the average MVA for developing Africa of $US 40 per caput in 1987.

Table 3: GDP growth, MVA growth rates and other indicators in selected African LDCs, 1980 and 1987 a

	average GDP growth rate	Annual MVA growth rate (%)		percentage of GDP		MVA as MVA per capita (1980 dollars)	
	1980-1987	1980	1987	1980	1987	1980	1987
Benin	2.9	-3.5	-1.1	5.2	5.0	17	17
Burkina Faso	5.6	-3.9	2.8	11.5	12.9	8	9
Burundi	5.5	4.1	4.2	8.1	7.1	19	17
Central African Republic	2.3	2.5	-0.6	7.1	6.3	25	19
Chad	5.6	5.4	-5.1	9.1	8.0	19	13
Ethiopia	2.3	-1.4	-6.2	9.9	11.7	10	12
The Gambia	0.9	-16.3	3.0	6.8	13.3	28	55
Guinea	3.2	1.0	4.4	3.1	3.2	9	9
Guinea-Bissau	-0.4	5.8	1.3	1.8	1.5	3	3
Malawi	3.3	4.2	0.4	13.5	14.0	28	25
Mozambique	-1.5	-7.8	1.2	8.7	6.8	29	18
The Niger	0.4	8.3	4.7	3.7	3.6	18	16
Rwanda	5.1	3.5	3.7	15.3	17.4	35	40
Sierra Leone	-1.6	25.0	14.2	7.3	5.3	27	14
Togo	1.2	5.3	-0.7	7.0	6.6	31	21
Uganda	0.2	6.5	2.1	4.1	3.8	36	34

Source: ECA calculations. See also UNIDO, Industry and Development Global Report, 1988-1989.

21. Manufacturing industry in the African LDCs is basically component assembly, heavily dependent on imported raw materials, machinery and other equipment and spares. The consumer-goods processing industries account for the bulk of growth in output and value added by the sector. The share of these industries in total manufacturing value added in 1985 was 79.4 per cent in Ethiopia. In the Gambia, the processing of groundnuts and fish accounted for 75 per cent of manufacturing value added. Food, textiles and clothing accounted for 79 per cent of MVA in Burkina Faso, 82 per cent in Mali, 81 per cent in Togo and 76 per cent in Uganda. Food processing alone contributed 78

per cent of MVA in Burundi, 91 per cent in Mauritania and 72 per cent in Rwanda (see annex III).

22. The intermediate and capital goods subsector is either relatively undeveloped or non-existent in the African LDCs. The lack of such industries implies that a substantial proportion of their total imports consists of manufactures, particularly machinery. The share of manufactures in the merchandise trade of the Niger and Rwanda was 74 and 70 per cent respectively, in 1985. Such heavy external dependence has meant that the decline in foreign exchange resources available for such imports led to below-capacity utilization, resulting in low productivity, reduced employment, enormous output losses and sharp declines in investment. Capacity utilization rates in the African LDCs as a group fluctuate between 25-40 per cent of existing manufacturing capacity.

23. Since the launching of the Industrial Development Decade for Africa in 1980 and the adoption of the SNPA in 1981, both of which set a target of an average annual growth rate of at least 9 per cent in the manufacturing sector during the 1980s, the African LDCs have committed themselves to redress the structural factors that impede the development of a viable industrial base. They established priorities focusing on the development of agro-and other domestic resource-based industries and designed policies and programmes to encourage and promote the development of small- and medium-scale enterprises. During the 1980s, most of the LDCs adopted reform measures to encourage increased private sector participation and boosted investment to the rehabilitation of industrial plants. Despite these efforts, the LDCs as a group posted an average increase in manufacturing output of only 0.4 per cent during 1980-1987, which is far below the SNPA threshold.

24. The mining sector contributes significantly to GDP in only a few African LDCs. It accounted for an average of 3.5 per cent in GDP of the LDCs as a group during 1980-1988. In growth terms, mining output increased by an average of 2.8 per cent per year during 1980-1984. After the mid-1980s, major rehabilitation work in mining facilities was completed in the main mineral-producing countries, which brought about an increase in output of 4.5 per cent in 1985. Unfavourable price conditions thereafter led to a decline in production in 1986 and 1987, with recorded increases in output of only 3.4 and 0.6 per cent, respectively. The importance of single mineral commodities in

GDP formation and the export earnings of selected main LDC mineral producers is shown in table 4.

Table 4: Share of mining in GDP and export of main mineral producing African LDCs
(1981-1985 average)

Country	Principal minerals	% share in GDP	% share of export
Botswana	Diamonds	28	74
Guinea	Bauxite concentrate of alumina	15	91
Mauritania	Iron ore	11	52
The Niger	Uranium	8	89
Sierra Leone	Diamonds, Rutile	10	71
Togo	Phosphates	10	46

Source: UNCTAD.

25. During the 1980s, mining sector development has been limited by world market conditions, especially the sharp fall in the prices of most minerals exploited in the African LDCs. As a result, foreign exchange earnings have fallen drastically and production has declined. In addition, market uncertainties have contributed to the decline in investments, both in new operations and in machinery and equipment purchases to expand or rehabilitate existing operations. These external constraints are becoming more severe because technological changes in the major OECD markets have an adverse effect on minerals and metals utilization. Low unstable prices and sluggish demand is forecast to lead to a decline in export capacity and the loss of a major source of development finance for most mineral-producing LDCs during the 1990s. Notwithstanding such a grim prospect, several LDCs including Ethiopia, Burkina Faso, Mali and the Central African Republic continue exploration and the exploitation of minerals in a bid to diversify their economies away from agriculture.

(c) Transport and communications

26. Physical and structural problems hinder the development of transport and communications in many African LDCs, since 11 LDCs are land-locked and four are island countries. Transport costs associated with the external trade of land-locked LDCs are enormous, as many are an average of 800 km from the nearest seaport. Capital and maintenance costs for roads are extremely high. The climatic conditions in the LDCs with rail transport shorten the life of equipment designed for temperate zones. There is also a lack of skills and technological know-how vital for the development of these sectors. In spite of these problems, the LDCs have striven during the 1980s to develop and improve their transport and communication infrastructure, within the framework of the United Nations Transport and Communications Decade in Africa 1978-1988, (UNTACDA).

27. Road networks have expanded in the majority of the LDCs in Africa. A noteworthy example is that of Ethiopia, which with a road network of 8,803 km in 1975, had extended the mileage to 57,600 km by 1986 and continues to implement major road projects. The total length of the rail network in the 15 LDCs with rail transport increased from 16,851 km in 1982 to 17,731 km in 1986. Although a modest improvement, this is a major achievement taking into account the resource constraints facing the LDCs relative to the enormous capital outlay required in railway development.

28. Seventeen African LDCs are coastal countries possessing at least one port facility. By all indicators, none is considered an important maritime nation and all are dependent on transnational shipping companies to carry the bulk of their cargo in international trade transactions. In the 1980s, however, the governments expended substantial investment in the development of their ports in order to ease international maritime traffic. In co-operation with the nearest seaboard countries in Africa, land-locked LDCs were actively involved in developing transport corridors and established warehouses to facilitate cargo handling. Port productivity during the 1980s, however, remained extremely low, estimated at 30-50 per cent below the average for other regions. This poor showing is attributed to the lack of modern cargo-handling equipment, lack of manpower and general management and organizational deficiencies.

29. In comparison with other regions, air transport in African LDCs is relatively underdeveloped. In 1987, the share of African airlines in the total air traffic of all airlines of the International Civil Aviation Organization (ICAO) contracting States was a mere 3.0 per cent. In spite of efforts deployed by national airlines and such regional organizations as the African Airlines Association (AFRAA) and the African Civil Aviation Commission (AFCAC), the subsector is beset with major problems, including a lack of co-operation and co-ordination among the airlines; inadequate infrastructure, difficulties associated with the granting of traffic rights, poor facilitation and, above all, lack of adequate financing.

30. The SNPA recognized that in order to achieve growth targets in key productive sectors, transformational investment was needed in the transport and communications sector, so as to eliminate the physical barriers to economic activities. The LDCs rely extensively on external sources for over 80 per cent of the financing required for projects and programmes in these sectors. Inadequate financial flows during 1981-1988 have had an adverse impact on the rate of implementation of transport and communications projects. For example, of a total cost of $US 2,327.98 million for 127 national and subregional road projects in 25 LDCs, 87.4 per cent was anticipated as external assistance. Since these resources were not fully realized, about 50 per cent of the projects had not been executed by the end of UNTACDA I in 1988.

4. The Social Situation

(a) Demographic trends

31. In mid-1987, the combined population of the 28 African LDCs was estimated at 206.1 million, or 37 per cent of the total population of 557 million of developing Africa as a whole. Population density per km2 varies from 1 in Mauritania to over 230 in Rwanda. Average annual population growth is forecast to increase to 2.8 per cent in 1985-1990, from 2.73 per cent in 1980-1985 and is projected to exceed 3 per cent by the year 2000. By the turn

of the century, therefore, the projected total population will be over 302.8 million. [8]

Table 5: Some demographic characteristics of African LDCs

	Ratio 17 + 17-		Number of minors Per 100 adults		Dependency ratio	
Country	1985	2000	1985	2000	1985	2000
Benin	47:53	48:54	113	119	98.5	101.6
Botswana	44:56	45:55	127	124	104.5	102.6
Burkina Faso	50:50	49:51	102	105	88.0	92.2
Burundi	49:51	49:51	103	106	92.7	92.5
Cape Verde	51:49	56:44	96	77	86.0	73.2
Central African Republic	51:49	50:50	94	99	86.5	88.9
Chad	51:49	50:50	94	98	84.8	87.9
Comoros	47:53	49:51	111	105	95.8	90.2
Djibouti	-	-	-	-	-	-
Equatorial Guinea	53:47	51:49	90	94	83.8	85.8
Ethiopia	49:51	48:52	105	109	90.4	93.5
The Gambia	51:49	50:50	94	99	83.6	87.3
Guinea	51:49	50:50	98	101	85.2	88.6
Guinea-Bissau	53:47	53:47	87	88	81.8	82.0
Lesotho	51:49	51:49	94	95	84.9	85.4
Malawi	47:53	47:53	111	113	94.4	97.7
Mali	47:53	47:53	111	114	96.0	97.9
Mauritania	47:53	46:54	111	115	96.8	98.6
Mozambique	-	-	-	-	-	-
The Niger	47:53	46:54	113	118	99.9	100.8
Rwanda	45:55	45:55	121	123	102.3	104.2

[8] United Nations, World Population trends and problems, 1987 monitoring report, New York, 1988.

Sao Tome & Principe	-	-	-	-	-	-
Sierra Leone	53:47	52:48	90	94	79.7	82.9
Somalia	49:51	49:51	104	106	91.8	92.1
The Sudan	49:51	50:50	106	100	92.0	87.0
Tanzania, United Republic of	45:55	44:56	124	127	104.6	107.2
Togo	49:51	48:52	104	108	92.2	94.8
Uganda	45:55	45:55	120	124	102.3	104.8
All African LDCs	48:52	47:53	109	111 a/	92.2 a/	96.1 a/
					121.7 a/	124.7 b/
					91.9 c/	92.8 c/

Source: ECA secretariat calculations based on United Nations Population studies, No. 98, ST/ESA/SER.A/98 UN, New York, 1986. World Population Prospects, 1984.

a/ The ratio is calculated for the age groups 0-14 inclusive and over 65 years.

b/ The ratio is calculated for the age groups 0-17 inclusive and over 65 years.

c/ The arithmetic mean of the 25 ratios iri/25.

32. The high population growth rates are a reflection of very high fertility rates in relation to high, but declining mortality rates. In most African LDCs, total fertility is higher than six children per woman, mortality rates range from 80 to 154 and life expectancy at birth is between 41 and 61 years, although life expectancy of over 50 years is confined to Botswana (58.5), Cape Verde (61.0), Comoros (52.0), Lesotho (55.9), Togo (53.0), Uganda (51.0) and the United Republic of Tanzania (53.0). These figures are largely explained by the high levels of malnutrition, especially among infants and mothers, the lack of good drinking water supplies and poor medical facilities.

33. The death rate of children under five years reached most disturbing levels during the 1983-1985 emergency. In 1986, six African LDCs (Mali, Sierra Leone, Malawi, Ethiopia, Guinea and Somalia) had extremely high under-five mortality rates of over 250 per 1000 live births. During the same period, over 5 per cent of children under five were suffering from mild to severe malnutrition in Ethiopia, Mauritania, the Niger, Rwanda, the Sudan and the United Republic of Tanzania. [9]

34. The different pressures on both public and household incomes and the low level of resources available to satisfy basic human needs in education and health do not augur well for the eradication of mass poverty in African LDCs. There is one physician for every 26,000 people in African LDCs, compared with 21,000 for developing Africa and in the majority of cases, 60-70 per cent of the physicians work in urban areas, where only about 20 per cent of the population live. The health care systems are overwhelmingly oriented to curative rather than preventive measures. As such, hospital facilities absorb over 60 per cent of the health budget of most LDCs and serve the needs mostly of the urban elites.

35. As for water and sanitation, 60 per cent of the LDCs population is still without access to clean treated water, while 85 per cent are without adequate sanitation. With respect to shelter, large percentage live in grass-thatched and mud-wall dwellings in isolated and inaccessible rural areas, while many of those in urban areas live in make-shift temporary structures. The population is continuously at risk from disease epidemics, such as dysentery, cholera, etc.

36. The structure of the population is characterized by the dominant proportion of children under 15 and the declining labour force as a share of the total population. In 1985, the cohort of 0-14 was 45.6 per cent of the total population, while the active population aged 15-64 accounted for 51.5 per cent and the number of people over 65 was 2.7 per cent. These figures have two ominous implications: first, there is already an acute demand for education and secondly, the dependency burden on household incomes is rising.

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[9] UNICEF, The State of the World's Children, 1988, Oxford University Press, pp. 64-66.

37. Of those in the primary education age cohort, only 20 per cent were actually enrolled in most of the African LDCs. Furthermore, in 1985, every 100 adults in African LDCs had 109 minors dependent on them. Taking into account those over 65 and between 0-14, this implies a dependency ratio of 94. This ratio goes up to 122 if the young dependent groups considered are those from 0-17. If present trends continue, the dependent population in African LDCs will be multiplied by 1.6 by the year 2000 and the number of minor dependents per 100 adults will rise to 111 and the dependency ratio to 125 (see table 5).

38. Concern over the implications of increased population, the age structure and the general deterioration in living conditions relates to the inadequacy of resources to provide human resources quality enhancement, sustainable social programmes and other overheads, particularly for the 0-14 dependent age group during the 1990s. There will continue to be a strain on the capacity of the LDCs to generate adequate financial and material resources for social development programmes and to create an environment for increased employment opportunities for those in the productive cohort of 15-59. The increased population will give rise to an enormous demand for food, which will affect the allocation of resources to other key economic and social sectors. Political, administrative and social stresses have already emerged in the 1980s and these will intensify in the present decade because of increasing pressure on health and welfare services.

39. The SNPA emphasized that population policies should be an integral part of overall national development policies. In the 1980s, all the African LDCs took appropriate measures on family planning and population control. A study by ECA shows that there is enthusiastic community involvement in the implementation of maternal child health and family planning programmes. [10] In 1986, 20 LDCs had active policies and provided direct support for the effective use of modern methods of fertility regulation. A major constraint in all these programmes is the lack of adequate technical know-how and funding; hence, adequate international assistance will continue to be a vital force in population programmes of the LDCs in the 1990s.

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[10] ECA, report on integrated maternal and child health family planning programmes in Africa, ECA/POP/WP/87/3, August 1987.

(b) Income and poverty

40. The worsening economic conditions in the African LDCs in the 1980s, translated itself into drastic declines in per capita income and with it per capita consumption. The most disquieting trend, however, has been the increase of rural poverty. In most African LDCs, the distribution of income and wealth is becoming more unequal. Since the rural population constitutes over four-fifths of the total population of LDCs, World Bank estimates reveal that there were five times as many poor people in the rural areas than in the urban areas. [11] What has affected the income situation for most rural households is the continued neglect of agriculture, especially the small-holder farmers and the low level of public investments in inputs and social services in the rural areas. Rural incomes in Africa LDCs are expected to remain structurally depressed for a long time unless definite political commitments are made and effective strategies adopted to transform the rural sector. [12]

(c) Education and employment

41. In the past two decades, Governments of LDCs in Africa have deployed a great deal of effort in the development of the formal education system at the primary, secondary and university levels. The gross enrolment ratio at the primary level, which considerably overstates the true proportion of children who are at school, was only 38 per cent in 1965, but rose to 63 per cent by 1983, partly because of an increase in repetition rates. The corresponding net enrolment rates are much less encouraging. In 1984, the gross enrolment ratio at the secondary level ranged from 28 per cent in Botswana to 2 per cent in Rwanda while in tertiary education, the highest enrolment rate was 2.1 per cent in Guinea and the lowest 0.3 per cent in Rwanda. Between 1965 and 1983, the percentage of females enrolled at the primary level rose appreciably in eight countries: Comoros, from 26 to 41 per cent; Somalia, from 21 to 36 per cent; Djibouti, from 27 to 42 per cent; the United Republic of Tanzania,

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[11] World Bank, Accelerated Development in sub-Saharan Africa: An Agenda for Action, Washington, D.C., 1981.

[12] Valil, Jamal (1984): Rural-urban gap and income distribution; synthesis report on 17 African countries, ILO/JASPA, Addis Ababa. Also see: UNICEF, The State of the World's Children, 1987, Ibid.

from 37 to 49 per cent; the Gambia, from 29 to 37 per cent; Burundi, from 29 to 40 per cent; Cape Verde, from 39 to 49 per cent; and Ethiopia, from 28 to 38 per cent.

42. Because of rapid population growth and the competition for funds from other social and economic sectors, universal primary education in the majority of the African LDCs will not be attained by the turn of the century. If past enrolment trends continue, then 83 per cent of the primary school-age population of the African LDCs will live in countries with enrolment ratios below 90 per cent at the dawn of the next century. [13]

43. Post-primary schooling in many countries costs far more than primary eduction which constitutes the base of the Education Pyramid that needs to be broadened. However a disproportionate share of public expenditure is still spent on higher education. Available empirical evidence indicate that the proportion of the education budget earmarked for the primary level is less than 50 per cent in a number of LDCs in Africa. For example, in the Niger in 1981, 83.3 per cent of the total enrolment was in the primary category, which received only 36.8 per cent of the education budget. In contrast, the share of enrolment in higher education accounted for 0.7 per cent of the total, but it received 17 per cent of the total budget outlay.

44. Unfortunately, the surge in unit costs does not seem to be accompanied by a marked improvement in the quality of education. In most African LDCs, teaching supplies are seriously underfunded for a variety of reasons, with the result that there may be only one book for several students or not enough benches and tables to seat the pupils. Libraries are rare and even where the exist, they have not enough books. Classrooms are over-crowded and buildings are rarely maintained.

45. The record of the non-formal education system, particularly that of vocational training has been equally dismal. Not only are these institutions costly to administer, but they suffer from the lack of trained teachers. The vast majority of students in African LDCs are overwhelmingly in the humanities, arts, religion and behavioral sciences, where the demand,

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[13] UNESCO: Reflection on the Future Development of Education, Paris, 1985, p.284.

as well as the need for, such skills has already been saturated. In contrast, in areas where the need for high trained manpower is the greatest, the enrolment ratio has been abysmally low. These trends are particularly typical in such vital subjects as medicine, engineering and agricultural sciences. It is in this light that, at ECA level, emphasis is being put on an integrated approach to human resources development. These were the focus of attention at the International Conference on the Human Dimension of Africa's Economic Recovery and Development held in Khartoum. [14]

46. In spite of the constraints enumerated above, however, a large number of African LDCs have been making major strides to reduce the absolute number of illiterates and out-of-school children; to improve the quality of primary education; and to provide for post-literacy maintenance. In order to make education a force for rural development, a radical revision of the formal education system is being undertaken in many LDCs. The primary school curricula is being revised to respond to the needs of the rural communities and to help mitigate the rural-urban exodus and the problem of unemployment. A great deal of effort is also being directed to meet the shortage of skilled personnel of all kinds and to enhance administrative and managerial capacity which are seriously limiting and weakening the planning, programming and implementation machinery.

47. Despite these earnest efforts, there remains many urgent needs competing with the development of education: health, social security, the financing of infrastructure, industrial investment and debt-service obligations. Unless international support measures are considerably stepped up, the African LDCs would find it difficult to meet the wide variety of human skills necessary in fuelling the dynamics of development.

48. Turning to the problem of employment, the agriculture sector which employed over two-thirds of the labour force in 1986, has suffered a serious decline. Between 1970 and 1985, the percentage of the total rural population engaged exclusively in agriculture-related activities declined from 96.04 to 94.8 per cent, which implies the absence of any significant improvement in

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[14] ECA: The Khartoum Declaration, International Conference on the Human Dimension of Africa's Economic Recovery and Development, Khartoum, the Sudan, 5-8 March 1988.

non-farm employment opportunities and the continued predominance of subsistence agriculture. Over the same period, the agricultural population grew by 2.06 per cent per annum, overall, but there are significant differences between countries.

49. Of the 25 countries shown in annex II, six countries had agricultural population growth rates of over 2.5 per cent: Guinea-Bissau (3.43), Somalia (3.34), Rwanda (3.21), Comoros (2.89), the United Republic of Tanzania (2.86) and Uganda (2.65). These six countries, however, also had the highest population growth rates at over 3 per cent during the same period, which was almost entirely absorbed in agriculture-related activities. In nine countries, the economically active population engaged in agriculture went down by over 10 per cent between 1970 and 1985. This marked decline is explained by rural-urban migration which is reflected in the high urban population growth rates: Botswana (9.72 per cent), Mauritania (9.23 per cent), Benin (8.28 per cent), Chad (8.21 per cent), Malawi (7.75 per cent), Equatorial Guinea (4.91 per cent), the Sudan (4.58) and the Central African Republic (4.43 per cent).

50. Industry has yet to be reoriented towards labour-intensive strategies, but there is little scope for increasing labour intensity above the levels dictated by the overall growth of the economy, particularly in trade, commerce and other services sectors. Furthermore, the rate of labour absorption of the manufacturing sector is constrained by overvalued exchange rates, low domestic interest rates, suppliers' credit facilities, the tying of foreign aid, duty-free imports, accelerated depreciation allowances and tax holidays, which reinforce the bias in favour of sophisticated, high standard but labour-saving equipment.

51. The informal sector which employs between 40 to 60 per cent of the urban labour force encompasses a wide spectrum of economic activities: retail trade, construction, wood and metal working, electrical and mechanical repairing, transportation, etc. Internal migration combined with stagnating wage employment opportunities have swelled the number of persons entering the sector. In Rwanda, for example, the non-primary informal sector, i.e., the secondary and tertiary sectors, accounted for over half (54 per cent) of the labour force. It should, however, be pointed out that because of lack of proper organization and incentives to enhance the viability of the informal

sector, it cannot be expected to continue to absorb the growing numbers of migrants to the urban areas who account for about 70 per cent of the urban growth rate of most LDCS. [15]

II. SOME OBSTACLES TO FINANCIAL MOBILIZATION

52. By all indications, the LDCs in Africa are the poorest in a global context, with extremely low per capita income. Government revenue is extensively tight allowing for only a limited flexibility in economic management. In addition to structural rigidities, the economic and financial situation of these countries worsened in the 1980s and has its antecedent in the two oil price shocks (1973-74 and 1979-80), wide-spread and protracted drought (1970-75 and 1982-1984), unfavourable shifts in primary commodity prices, and the drastic decline in official development assistance flows. The prospects for the 1990s are even bleaker. The main underlying factors are analyzed below in terms of the extensive decline in gross domestic savings and low investment levels, widening deficit in the balance of payments and mounting external debt stock and debt service payment problems.

A. Savings and investment

53. In general, the share of gross domestic savings in GDP declined from 4.3 per cent in 1980 to 3.2 per cent 1986 but increased modestly thereafter to 6.2 per cent in 1989. These trends imply low saving rates for the African LDCs and, consequently, lower growth in investments. As revealed by the frequency table below, negative rates of gross domestic savings was registered by several LDCs in Africa particularly in 1986-1987 when 14 countries recorded high dissavings. Botswana, Guinea and Togo have performed reasonably well in terms of savings accumulation, consistently maintaining savings ratios above 15 per cent during 1980-1989. The LDCs in Africa are constrained to mobilize domestic savings because of their narrow tax base which severely limits domestic options for raising investible funds; extremely low aggregate incomes levels and per capita incomes; inadequate incentives in an already poorly developed financial markets.

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[15] ILO, JASPA Bulletin, No.9, January 1985, Addis Ababa.

Table 6: Frequency distribution of African LDCs according to gross domestic savings rate, 1980-1989
(1980 constant prices)

Gross domestic savings rate (%)	1980-1984	1985	1986	1987	1988	1989
Negative	11	12	14	14	12	12
0-5	7	7	5	4	5	3
5-10	6	4	1	2	3	3
10-15	1	3	5	5	4	6
15 +	3 [1]	2 [2]	3 [3]	3 [3]	4 [4]	4 [4]

Source: ECA.

54. Gross domestic savings accounted for an average of 32 per cent of the investment made by the African LDCs between 1985 and 1987 which implies a high dependence on external sources, particularly unpredictable official flows, for the financing of investment. On average, the resource deficit was equivalent to 12 per cent of GDP in 1980-1989. The record on financial savings has also been unsatisfactory. The ratio of financial savings to gross domestic product has fluctuated, but showed no marked tendency to increase. [16]

55. The above trends in the savings rate explain the low rate of gross domestic investment in relation to GDP. As a group, the LDCs experienced near stagnation in the rate of investment as a percentage of GDP from an average of 16.5 per cent in 1980-1984 to 16.6 per cent in 1989. This tapering-off of investment can be explained partially by their concentration on rehabilitation-type investment as part of adjustment measures, rather than on new investment. There was also a drastic decline in foreign private direct

[1] Botswana, Guinea and Togo.

[2] Botswana, Guinea.

[3] Botswana, Guinea and Togo (1987 and 1988).

[4] Botswana, Comoros, Guinea and Togo (1988 and 1989).

[16] ECA: Growth and structure of financial institutions in African least developed countries, E/ECA/LDCs.9/EXP.8.

investment in the LDCs. Cape Verde and Comoros, however, maintained a significant level of investment, averaging 41.2 and 36.2 per cent respectively during 1980-1989, as indicated in annex V. These trends imply that the African LDCs are incapable of investing adequately in productive activities, let alone in transformational investment, as demonstrated by the overall continued manifestation of structural rigidities in these economies.

Table 7: Frequency distribution of African LDCs according to gross domestic investment rate, 1980-1989

(1980 constant prices)

Gross domestic investment as % of GDP	1980-1984	1985	1986	1987	1988	1989
0-10	2	3	4	3	3	4
10-20	12	13	13	13	13	13
20-30	9	9	8	9	9	9
30 +	5 [1]	3 [2]	3 [3]	3 [4]	3 [5]	2 [6]

Source: ECA.

[1] Botswana, Cape Verde, Comoros, Lesotho and Mauritania.

[2] Cape Verde, Comoros and Mauritania.

[3] Cape Verde, Comoros and Togo.

[4] Botswana, Cape Verde, Comoros.

[5] Botswana, Cape Verde and Comoros.

[6] Cape Verde and Comoros.

56. The intensification of the resource problems of the African LDCs is also reflected in the performance of the fiscal budgets. Recent estimates of the consolidated public finances show that recurrent revenue as a percentage of GDP increased from an average of 16.8 per cent in 1980-1982 to 18.4 per cent in 1987, while recurrent expenditure remained stagnant at 16.8 per cent over the same period. Capital expenditure as a percentage of GDP, comprising mainly investment in renabilitation programmes, increased from 5.4 per cent in 1980-1982 to 7.9 per cent in 1987. Overall, the budget deficit as a percentage of GDP, for the group, increased slightly from 5.4 per cent in 1980-1982 to 6.3 per cent in 1987. The financing of these deficits during the 1980s, largely from budget and balance-of-payment support funds from donors, confirms the continued reliance of the LDCs on external assistance. About 73 per cent of the total deficit was financed from external sources in 1987, compared with 50 per cent in 1983.

B. External trade and balance of payments

57. The export structure of the African LDCs is dominated by a few agricultural commodities, which account for well over 80 per cent of export earnings. The principal export commodities are coffee and cotton, with some minerals and metals (diamonds, uranium, bauxite, iron ore and phosphates). The total value of exports of the LDC group showed only modest increases during 1981-1988, from an average of $US 5.1 billion in 1981-1984 to $US 5.9 million in 1985-1988. There was a general decline in the volume and value of exports of those LDCs dependent on agricultural exports.

58. The African LDCs are more import-dependent than other developing countries, with goods ranging from very basic consumables to a wide variety of capital goods. Many of them are food-deficit countries and virtually all are oil importers. Combined food and oil import bills alone absorbed at least 40 per cent of export earnings during 1980-1985. The average annual value of imports was $US 10 billion during 1981-1988, although there was a slight drop in 1984 and 1985 to around $US 8.7 billion, caused by the decline in the import of capital goods in favour of emergency items in most LDCs.

59. According to recent figures, the merchandise trade balance has been consistently in deficit in the 1980s. It ranged between $US 4.0 billion in 1981 and $US 2.4 billion in 1985. During 1986-1989, the trade deficit increased at an annual average of $US 3 billion while the current account deficit increased at an

annual average of $US 1.7 billion. Over the same period, the share of these countries in developing countries' trade was a mere 1.3 per cent, while accounting for only 10 per cent of total external trade of developing Africa as a whole. The overall balance of payments deteriorated considerable in the 1980s, with an estimated deficit of $US 1.13 billion in 1985; it increased further to $US 2.4 billion in 1988, signifying extremely acute external payments problems.

C. External debt situation

60. Unfavourable economic developments in the African LDCs during 1980-1988 were accompanied by increasingly burdensome external debt problems. According to preliminary estimates, the total external indebtedness of the 28 LDCs in Africa including outstanding use of IMF credits increased by 2.8 per cent from $US 45.13 billion in 1987 to $US 46.37 billion in 1988. These estimates exclude arrears but include short-, medium- and long-term publicly guaranteed and unguaranteed debt. About $US 2.3 billion of the 1988 debt stock is outstanding balance of IMF credits. The magnitude of this debt seems modest, but as a proportion of the combined GNP of the African LDCs, it is estimated to have been 101.3 and 97.9 per cent in 1987 and 1988. This implies that external borrowings have not resulted in a commensurate expansion in productive capacities. Total debt-service payments for the LDCs as a group averaged around 4.57 per cent of their total GNP in 1988.

61. The debt-service ratio for the LDCs as a group had increased from 19 per cent in 1982, when the debt crisis emerged, to 21 per cent in 1988. The group situation, however, conceals the magnitude of the debt in some countries. About 70 per cent of the total debt of $US 46.37 billion was owed by eight LDCs in 1988: Ethiopia - $US 2.95 billion, Guinea -$US 2.56 billion, Mali -$US 2.07 billion, Mauritania -$US 2.08 billion, Mozambique -$US 4.41 billion, Somalia -$US 2.04 billion, the Sudan -$US 11.85 billion and the United Republic of Tanzania -$US 4.73 billion. Five others owed amounts exceeding a billion dollars in 1988. Benin, Malawi, the Niger, Togo and Uganda. The debts of the other LDCs range from $US 99 million for Sao Tome and Principe to $US 867 million for Burkina Faso.

Table 8: External debt of African LDCs* (end of 1986)

	Total [1] (billion	Of which outstanding use of fund credit (million	Debt service ratio [2]
Benin	1.06	4.0	23.96
Botswana	0.50	-	3.97
Burkina Faso	0.87	3.0	10.45
Burundi	0.79	32.0	47.46
Cape Verde	0.13	-	34.36
Central African Republic	0.67	50.0	13.17
Chad	0.35	17.0	4.15
Comoros	0.20	-	29.63
Djibouti	0.16	-	90.00
Equatorial Guinea	0.20	14.0	33.33
Ethiopia	2.98	55.0	39.26
The Gambia	0.33	35.0	17.05
Guinea	2.56	61.0	23.47
Guinea-Bissau	0.42	3.0	30.77
Lesotho	0.28	5.0	3.23
Malawi	1.35	106.0	45.21
Mali	2.07	74.0	20.14
Mauritania	2.08	71.0	25.63
Mozambique	4.41	41.0	31.28
The Niger	1.74	95.0	41.72
Rwanda	0.63	4.0	13.07

[1] Excludes arrears; includes short-, medium- and long-term publicly guaranteed and unguaranteed debt, plus outstanding use of IMF credits.

[2] Total debt outstanding plus use of IMF credit over exports of goods and services.

Sao Tome & Principe	0.99	-	16.67
Sierra Leone	0.73	109.0	28.33
Somalia	2.04	165.0	6.92
The Sudan	11.85	905.0	15.69
Tanzania, United Republic of	4.73	69.0	24.65
Togo	1.27	78.0	26.87
Uganda	1.93	252.0	47.25
All African LDCs	46.07	2,248.0	47.25

Source: ECA secretariat calculations based on data from various sources, including world debt tables.

* All LDCs in Africa, except Botswana, are eligible for the use of the IMF's Concessional STructural Adjustment Facility.

62. In the 1980s, debt-service payments of the African LDCs increased from $US 1.2 billion in 1980 to $US 1.8 billion in 1987. In 1988, such payments were estimated to have increased further to $US 2.1 billion. Although some debt relief has been provided by some DAC member countries for their ODA debt to majority of the LDCs under UNCTAD Trade and Development Board resolution 165 (S-IX) and to some (Mali, Guinea and the United Republic of Tanzania) under the "menu" approach of the Toronto Summit of 1 June 1988, the debt service problem remains critical for all African LDCs. The problem has been exacerbated by the sizeable proportion of non-commercial debt and by the significant increase in multilateral debt which is not subject to multilateral rescheduling. Since the adoption of the SNPA in 1981, a number of LDCs have had recourse to the Paris and London Clubs to reschedule their official and commercial debts. Moreover, a number of them have had to ask for several reschedulings in order to cope with their increased debt liabilities. However, the reschedulings have proved to be inadequate as they only provided temporary relief; and the fact that they do not entail a diminution of debt stock meant they eventually added to the debt burden.

III. POLICIES AND ACTIONS IMPLEMENTED IN AFRICA

A. Policy directions

63. Since the adoption of the SNPA in 1981, the Governments of the African LDCs have implemented major policy reform measures to revitalize their economies and lay the foundations for self-sustained economic growth and development. Agricultural sector adjustment measures have included a systematic review of producer prices and the provision of essential inputs as an incentive to farmers to increase production, especially of food crops. Those public enterprises, which are a burden on the government budget, have either been privatized or measures instituted to enhance their efficient management. To mobilize domestic resources, interest rates have been restructured to encourage increased domestic savings and measures taken to broaden the tax base. Attempts have been made to reduce the budget deficit through a freeze and/or reduction in the size of the public sector employment.

64. In response to the African economic crisis, the African LDCs took action along with other member States of the OAU, in adopting Africa's Priority Programme for Economic Recovery, 1986-1990 (APPER) in July 1985 and the United Nations Programme of Action for African Economic Recovery and Development, 1986-1990 (UN-PAAERD) in June 1986. [17] The objectives and priorities established by these programmes were consistent with those of the Substantial New Programme of Action (SNPA). Relevant measures have been adopted as a means of judiciously implementing these programmes, albeit with very limited financial resources.

B. Stabilization and structural adjustment

65. The continued deterioration in the balance of payments of the African LDCs in the 1980s caused a number of them to adopt short-term stabilization measures. During 1986-1989, 14 African LDCs adopted structural adjustment and stabilization programmes supported by the IMF and the World Bank, designed to last for one to three years, depending on the magnitude of the disequilibria. Although some degree of adjustment may have been effected, the lack of a well-

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[17] United Nations Programme of Action for Africa's Economic Recovery and Development, of 1 June 1986, UN, New York.

articulated long-term perspective in the policy packages aggravated the risk of neglecting infrastructure and other structural factors, imposing a long-term constraint on economic growth. [18]

66. Under the stand-by, extended, Structural Adjustment Facility (SAF) and the Enhanced Structural Adjustment Facility (ESAF) arrangements of the IMF, 19 African LDCs have negotiated adjustment programmes whose implementation periods extend up to 1992. The total credits granted to the concerned countries amount to SDR 956.9 million. The IMF Structural Adjustment Facility (SAF) was established in March 1986 to provide additional assistance on concessional terms to low-income countries facing protracted balance-of-payments problems. In December 1987, SAF was replaced by a larger concessional facility, the Enhanced Structural Adjustment Facility (ESAF). Since then, six LDCs - the Gambia, Malawi, Mauritania, the Niger, Togo and Uganda - have obtained credits under this Facility amounting to $US 403.08 million.

Table 9: Stand-by, extended Structural Adjustment Facility (SAF), and Enhanced Structural Adjustment Facility (ESAF) arrangements by 19 African LDCs, as of 30 September 1989
(million SDRs)

	Date of arrangements	Expiration	Total amount	Undrawn balance
Stand-by arrangements			12.70	7.62
Mali	5 Aug. 1988	4 June 1990	12.70	7.62
SAF arrangements			540.61	137.35
Benin	16 June 1989	15 June 1992	201.25	-
Central African Republic	1 June 1987	31 May 1990	21.28	6.08
Chad	30 Oct. 1987	9 Oct. 1990	21.42	9.20
Equatorial Guinea	7 Dec. 1988	6 Dec. 1991	40.53	11.58
Guinea	29 July 1987	28 July 1990	5.75	1.50
Guinea-Bissau	5 Aug. 1988	13 Oct. 1990	10.57	3.02
Lesotho	29 June 1988	28 June 1991	35.56	25.40
Mali	5 Aug. 1988	4 Aug. 1991		
Mozambique	8 June 1987	7 June 1990	42.70	2.80
Sao Tome & Principe	2 June 1989	1 June 1992		

[18] ECA, the implications of structural adjustment and stabilization programmes on long-term growth and development in the African least developed countries, E/ECA/LDCs.7/EXP.6/4, 31 March 1987.

Sierra Leone	14 Nov. 1986	13 Nov. 1989	40.53	28.95
Somalia	29 June 1987	26 June 1990	30.94	22.10
Tanzania	30 Oct. 1987	29 Oct. 1990	74.90	21.40
ESAF arrangements			403.08	293.01
The Gambia	23 Nov. 1988	22 Nov. 1991	20.52	13.68
Malawi	15 July 1988	14 July 1991	55.80	27.90
Mauritania	24 May 1989	23 May 1992	50.85	42.38
The Niger	12 Dec. 1988	11 Dec. 1991	50.55	33.70
Togo	31 May 1989	30 May 1992	46.08	38.40
Uganda	17 April 1989	16 April 1992	179.28	136.95
Total			956.39	437.90

Source: IMF Survey, 13 November 1989.

67. Since the mid-1980s, as a pre-condition for official development assistance disbursement and debt relief, bilateral donors have required the LDCs to adopt stabilization and structural adjustment programmes supported by the IMF and the World Bank. In recognition of their own limited options for development finance, the LDCs have had to implement painful measures of adjustment at great social and political cost. Such economies have been characterized by political instability because of the impact of the measures on the most vulnerable sections of the population. [19] Furthermore, some countries have not received adequate external funding from donors to support the programmes, partly because of the abandonment of programmes at mid-stream if the LDCs cannot meet the IMF conditionalities and performance criteria. Subsequently, the suspension of the resource disbursements and the time lost on re-negotiating the agreements have limited the effectiveness and damaged the prospects of success of the measures taken.

68. The adjustment programmes of the IMF have tended to accentuate poverty and the numbers of unemployed in the bulk of the African LDCs. An important component of these conventional programmes has been the elimination or reduction of subsidies. Low-income groups are usually hard hit by the removal of food subsidies because they spend a high proportion of their income on food. In the United Republic of Tanzania, for example, after subsidies were cut, the price of staple maize meal rose from TSh 2.5 to TSh 12 per kg. In

[19] E/ECA/LDCs.7/EXP.6/4, Ibid.

Mozambique, the price of a kilo of rice rose from MT 35 to MT 271 and of maize meal from MT 37.50 to MT 145 after the removal of subsidies in April 1988.

69. Other serious effects resulted from the freeze in wages and employment and the staff cuts in the civil service and parastatal organizations. The retrenchment measures were deemed necessary to tackle a fundamental problem of over-manning in the public sector. Since governments in Africa are the major formal sector employer, the retrenchment exercises which involved mostly employees who were the least equipped to find alternative employment, resulted into an expansion of the growing pool of the unemployed and underemployed mainly in the urban areas. The seriousness of the situation forced many countries including Benin, Guinea, Mali and the Niger to include crash retraining programmes in their compensatory schemes for retrenched workers. Available evidence, however, indicates that these compensatory measures have had limited success. [20]

C. Follow up and Monitoring Actions

70. For following up and monitoring the implementation of the SNPA as stipulated in paragraph 11 of the SNPA, all the Governments of the African LDCs had designated national focal points. In most cases, it is the ministries of planning and economic development that are charged with responsibilities for the co-ordination of development assistance and other international support measures. These agencies have established the necessary administrative mechanisms both for internal co-ordination and consultations with donors. Development plans have been reformulated, priorities redefined and public investment projects realistically designed to reflect the absorptive capacities of the LDCs. The plans and programmes formed the basis of policy dialogue at round-table and consultative group meetings organized by the LDCs to mobilize external resources.

71. Since 1981, 18 African LDCs each organized at least one round-table donor meeting with UNDP assistance; six held consultative group meetings organized by the World Bank; Botswana and Ethiopia are yet undecided and for Sierra Leone, the round-table meeting that was scheduled for late 1988 was not

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[20] ECA, "The Critical Social Situation in Africa", annex to the 1989 report on the World Social Situation, ECA/SERPD/SPPR4/88/1, December 1988.

convened. Post-review meeting activities in the concerned LDCs have included sectoral consultations with donors in their respective countries. These donor/recipient dialogues have led to a better articulation of the macro-economic policy frameworks and created a better understanding of the assistance needs of the LDCs. On the whole, adequate medium-term pledges were made at those meetings but the actual disbursement of aid funds, however, has been rather slow and inadequate compared with the requirements of the PIPs, which adversely affected programme implementation and hampered economic growth and the development prospects in the 1980s.

72. ECA is the regional focus for the follow-up and monitoring of the implementation of the SNPA in Africa. The Conference of Ministers of African Least Developed Countries is the subsidiary regional policy-making organ of the Commission mandated to ensure the co-ordination of efforts, establish priorities, monitor and evaluate progress achieved in the implementation of the LDCs programme. The Conference meets annually and has made wide-ranging recommendations on policy measures and actions based on national experiences, so as to ensure the effective implementation of the SNPA in the African LDCs.

73. In response to paragraphs 122 and 125 of the SNPA which required regional commissions to "be suitably restructured to discharge effectively their responsibilities in respect of follow-up and monitoring" of the programme, a Section in the Socio-Economic Research and Planning Division was created in the secretariat in 1982, assisted by an ECA inter-divisional committee on LDCs, responsible for the co-ordination of ECA's activities on LDCs. The ECA special programme for the LDCs consists of: technical assistance and advisory services in plan and programme preparation, and to assist in strengthening planning capabilities at national level; the review of the socio-economic development performance and the evaluation of progress in the implementation of the SNPA at the national and regional levels; and the preparation of in-depth analytical studies as the technical inputs to the annual LDCs ministerial conferences.

74. During 1980-1988, the secretariat engaged in technical assistance missions to all African LDCs to assist in the development of projects in the following areas: food and agriculture; industrial development in the context of the Industrial Development Decade for Africa especially for projects related to the promotion of small- and medium-scale enterprises; natural

resources, notably assistance related to exploitation and exploration of minerals, energy and water resources; transport and communications within the framework of the United Nations Transport and Communications Decade in Africa; trade and finance, with emphasis on the promotion of intra-African trade and subregional and regional economic co-operation.

IV. INTERNATIONAL SUPPORT MEASURES

A. Trends in overall flows

75. As shown in annex VI the overall total net financial flows from all sources to the 28 African LDCs increased in real terms from $US 4.538 billion in 1981 to $US 4.563 million in 1985. In 1986, total financial flows dropped by about 11.3 per cent to $US 5.5 billion and further decreased to $US 5.4 billion in 1987. The major recipients throughout the period were Ethiopia, the Sudan, the United Republic of Tanzania, Somalia and Mozambique. In addition to drought-related external assistance, these LDCs were also important beneficiaries of assistance targeted at African refugees, the majority of whom are located in some of these countries.

B. Official development assistance [21]

76. Total net disbursements of official development assistance (ODA) from the Development Assistance Committee (DAC), Arab and multilateral sources in real terms to the 28 African LDCs, which averaged $US 4.2 billion (1980 prices and exchange rates) annually between 1981 and 1984, rose to $US 5.3 billion in 1987. Total net commitments stood at $US 6.3 billion during 1983-1985, even though a number of donor meetings were held during this period. In 1986, commitments increased to an estimated $US 7.12 billion, but declined by 10 per cent to $US 6.41 billion in 1987. There was a noticeable difference between aid commitments and actual disbursements between 1981 and 1985, but this gap narrowed considerably during 1986-1988 due to the quick disbursement of funds in support of adjustment programmes.

77. Total DAC bilateral ODA flows to African LDCs increased from $US 2.5 billion in 1981 to $US 4.6 billion in 1987. Between 1981 and 1986, an average

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[21] OECD: Development Co-operation in the 1990s-1989 report.

of 45 per cent of the total assistance was absorbed by only four countries: Ethiopia, Somalia, the Sudan and the United Republic of Tanzania. Total net disbursements of multilateral ODA flows to African LDCs increased by an annual average of 8.2 per cent during 1981-1987. The increases of 1983-1987 are associated with the increasing role of multilateral financing institutions, and United Nations organizations, in emergency relief efforts and adjustment programmes.

78. The African Development Bank provides the major part of its assistance to African LDCs through the African Development Fund which increased its credits from $US 79.8 million in 1981 to $US 356.4 million in 1987. The Fund has also provided $US 28.8 million in co-financing in support of the structural adjustment programmes of the Gambia, Guinea-Bissau and Sao Tome and Principe. A major boost in lending to the LDCs is foreseen under the ongoing five-year programme (1987-1991), during which the Fund's lending capital has been increased to $US 10 billion.

79. The bulk of World Bank loans and other credits to African LDCs are provided from IDA resources. Total net disbursements increased from $US 337.8 million in 1984 to $US 900.7 million in 1987. During 1981-1985, seven LDCs (Burkina Faso, Guinea-Bissau, Malawi, Sierra Leone, the Sudan, Togo and Uganda) obtained structural adjustment loans (SALs) and other adjustment-related financing, using both IDA resources and the special facility for sub-Saharan Africa, to a total of SDR 434.5 million. In 1986-1987, SALs and other sector adjustment credits to 11 African LDCs amounted to SDR 442.4 million. In addition to the Bank's own resources, co-financing arrangements were made on behalf of 11 LDCs involving SDR 310.6 million. The total loans and credits negotiated through the Bank to the 15 LDCs was SDR 1,187.5 million during 1981-1987. Of this total, 48 per cent, or SDR 574.1 million, was granted to only three LDCs: Malawi, (SDR 251.4 million), the Niger (SDR 116.3 million) and Uganda (SDR 206.4 million). [22]

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[22] The figures analyzed are from OECD and UNCTAD sources.

Table 10: Use of World Bank Loans and Credits by 15 LDCs in Africa, 1981-1987 (SDR million)

	1981-1985	1986	1987	Amount of co-financing	Total loans and other credits	% of total
Burkina Faso	13.8	-	-	9.0	22.8	1.92
Burundi	-	27.5	-	18.7	46.2	3.89
Central African Rep.	-	26.3	11.5	8.0	45.8	3.86
The Gambia	-	14.2	-	13.5	27.7	2.33
Guinea	-	38.5	-	68.7	107.2	9.03
Guinea-Bissau	10.1	-	12.0	26.9	49.0	4.13
Malawi	159.5	-	8.4	64.5	251.4	21.17
Mauritania	-	-	33.1	7.6	40.7	3.43
The Niger	-	54.9	61.4	-	116.3	9.79
Sao Tome & Principe	-	-	5.4	8.5	13.9	1.17
Sierra Leone	20.3	-	-	5.4	25.7	2.16
The Sudan	46.4	-	-	-	46.4	3.91
Tanzania (United Rep. of)	-	79.5	-	33.8	113.3	9.54
Togo	74.7	-	-	-	74.7	6.29
Uganda	110.7	-	69.7	26.0	206.4	17.38
Total	434.5	240.9	201.5	310.6	1.187.5	100.0

Source: ECA secretariat. Calculations are based on data from UNCTAD and other sources.

80. IDA-8 for the period 1988-1990 became operational in September 1987 with a funding level of $US 12 billion. This is an all-important source of development finance for the African LDCs because its concessional terms are more appropriate for their repayment capacities. Fifty per cent of IDA-8 is available to sub-Saharan African countries, with a substantial proportion in quick-disbursing funds for countries implementing adjustment programmes. Under the terms of the IDA-8 agreement, however, the final maturity of credits has been shortened from 50 to 40 years for LDCs, grace periods of 10 years are allowed and a service charge of 0.75 per cent on disbursed amounts is imposed. Fifteen African LDCs have already benefitted from this facility.

81. The World Bank's Special Programme of Action (SPA) to assist low-income, debt-distressed African countries pursuing economic policy reforms is another significant development. The Bank has reached an agreement with donors involving $US 6.4 billion, including an ODA component of $US 3 billion in concessional quick-disbursing funds for the period 1988-1990. More than half of this amount is to be provided through formal co-financing agreements with

the Bank and the remainder will be in the form of highly co-ordinated financing. Fifteen African LDCs have fulfilled the eligibility criteria and will receive assistance. [23]

82. OPEC bilateral and multilateral flows to African LDCs shrank considerably in the late 1980s. Concessional assistance reached its lowest level in 1986, at $US 200.4 million, from a peak of $US 661 million in 1983. The principal recipients - Djibouti, Mali, Mauritania and the Sudan - accounts for 80 per cent of the flows in 1986. The drop in oil prices in 1986 was translated into a 17 per cent cut in bilateral flows from the level of $US 280.1 million in 1985.

83. Total non-concessional financial flows from all sources fell from $US 570.6 million in 1981 to $US 115.3 million in 1986, a reflection of the perception by private financial markets of the high risks associated with lending to or investing in the LDCs. Private direct investment dropped from $US 77.3 million in 1981 to $US 27.7 million in 1986, despite efforts by the LDCs to improve the investment climate. Private export credit was a negative flow of $US 25.5 million in 1986, possibly because of the maturity of credits contracted during the early 1980s, the restrictive policies of export credit agencies and the reduction of imports by the LDCs as part of adjustment measures.

84. In 1981, the total cost of country development projects and programmes presented by 21 African LDCs at the Paris Conference was $US 133 billion (1980 prices) for the period 1981-1990, 60 per cent or $US 81 billion of which was made up of their external funding requirements. With the classification of five more African countries as LDCs in 1982, ECA estimated the external financing needed to support the SNPA in the 26 African LDCs to be $US 96.5 billion, or an annual flow of at least $US 8.6 billion. Including resource flows to Mozambique and Mauritania, recently listed as LDCs, total net financial flows averaged about $US 4.97 billion annually during 1981-1987, which falls far short of the anticipated resource flows.

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[23] OECD, 1989 report, ibid.

C. Alleviation of the debt burden

85. DAC members of the OECD are the major sources of loans and other credits to the LDCs in Africa. The alleviation of the debt burden has been of major concern to the OECD in recent years. In Toronto, in June 1988, the seven major OECD industrialized countries agreed on modalities concerning concessional relief on official bilateral debt. The relief package contained three options, otherwise labelled as the "menu" approach. It involves (a) to write off one-third of debt-service obligations and to consolidate the two-thirds remaining with a repayment period of 14 years (including an eight-year grace period), (b) to consolidate at market prices, with a repayment period of 25 years (including a 14-year grace period; (c) to consolidate at a preferential interest rate, which would be the market rate reduced by 3.5 per cent or 50 per cent, whichever is lower, with a repayment period of 14 years (including an eight-year grace period). Guinea, Mali and the United Republic of Tanzania were offered debt relief under these conditions by the Paris Club in 1988.

86. Prior to this, OECD creditors had taken various debt-relief measures in the context of UNCTAD Trade and Development Board resolution 165 (S-IX). Fifteen DAC countries agreed to cancel some of the ODA debt of 26 LDCs, involving a total of $US 2,219.6 million. The major beneficiaries were the United Republic of Tanzania ($US 503.7 million), the Sudan ($US 295.5 million), the Niger ($US 149.8 million), Mali ($US 10.4 million), Malawi ($US 196.3 million), Botswana ($US 123.7 million) and Burkina Faso ($US 130.5 million). Other measures included the waiving of interest payment, or the refinancing of debt interest, involving $US 700.3 million and of this, $US 359.7 million benefitted the Sudan alone.

87. The wide diffusion of the debt problems of African LDCs is indicated by the fact that during 1980-1988, 15 of them rescheduled their debts with official creditors, 12 of them more than once, involving 90-100 per cent of eligible maturities (both principal and interest on government loans and guaranteed export credit). The frequency and increased level of rescheduling by the Paris and London Clubs is symptomatic of the low level of financial flows to the LDCs in Africa and is an indication of the inadequacy of the current measures to resolve the debt problems of these countries.

88. Over 46 per cent of the total outstanding debt of the African LDCs is owed to multilateral creditors, including the IMF and the World Bank, which cannot be rescheduled under current approaches. Because of the difficulties LDCs face in meeting their obligations to the IMF, some of them have been declared ineligible to draw on the Fund's resources. The ineligibility to use IMF resources means no IMF- and/or World Bank-supported structural adjustment programme and consequently no bilateral ODA flows, since the IMF seal of approval is a pre-condition for donor assistance. This is one of the most important issues for any agenda on LDCs' debt problems in the 1990s.

D. Commercial policy measures

89. A crucial area of concern to countries dependent on primary commodities is the access to industrial markets for their exports. The growth in export capacity continues to be hampered by the agricultural and trade policies of developed countries, which make it difficult for the LDCs to design and implement coherent agricultural strategies. Protectionism and restrictive agricultural policies, such as those pursued by the EEC in providing massive subsidies to agricultural products, have depressed world demand and the prices of many agricultural commodities produced by the LDCs. Similarly, the US Farm Bill of 1986 placed tariff barriers on raw cotton, which is a major export commodity of some African LDCs.

90. There have been no significant changes in the IMF Compensatory Financing Facility (CFF) mechanism to specifically provide special treatment for the LDCs with respect to compensation for LDCs export shortfalls. This inflexibility, which also applies, in varying degrees, to the Stabex schemes lessens the export prospects and constrains the foreign exchange earning capacity of the LDCs. This situation is forecast to aggravate the resource problems of the LDCs during the 1990s and thus to hinder the implementation of economic recovery and medium- to long-term development programmes. As a first step towards mitigating the adverse movements affecting current account transactions, however, the IMF has replaced the CFF with the Compensatory and Contingency Financing Facility (CCFF), [24] which, in addition to the financing of temporary export shortfalls, would also make available contingency financing to affected countries implementing IMF-backed adjustment programmes.

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[24] IMF Survey, 13 November 1989.

It is not propitious at this time to pass a judgement on the efficacy of this facility for the LDCs in Africa.

E. Aid practices

91. In paragraph 70 of the SNPA, it is stated that the successful implementation of the Programme would require significant improvements in aid practices and management, particularly the provision of assistance as grants and loans on highly concessional terms. Since 1981, DAC concessional ODA as a proportion of total resource flows to the AFrican LDCs increased steadily, apart from 1982 and 1984, and in 1986 the share was 91 per cent. The grant element of such assistance increased from 86 per cent in 1981 to 89 per cent in 1983, dropped to 85 per cent in 1985 but rose again to 89 per cent in 1986. The DAC norm of 86 per cent for the LDCs has been met for most bilateral aid from OECD member countries.

92. The SNPA suggested that donors should aim to devote 0.15 per cent of their GNP to the LDCs as ODA; or to double total ODA to these countries by 1985, relative to 1975-1980 figures. In general, total DAC official development was stagnant at 0.08 per cent of GNP during 1981-1985. In 1988, DAC donors achieved, on average, about 0.09 per cent of their GNP as ODA to the LDCs. Four DAC members (Denmark, the Netherlands, Norway and Sweden) consistently exceeded the SNPA target and marked progress was made by Belgium, Canada and France. Other DAC members, which accepted neither the target nor the time frame, did not achieve the target during the 1980s.

93. The DAC donors have shown increased flexibility in financing larger proportions of local recurrent costs of projects and are changing to more quick-disbursing types of aid, particularly for supporting adjustment and stabilization measures. Canada finances the local recurrent costs of development projects to the extent of 27 per cent of bilateral assistance. The Nordic countries provide commodity assistance and import support for rehabilitation and reconstruction projects. The United States devotes 55 per cent of available assistance to non-project aid. These trends are in recognition of the critical resource problems of the LDCs which should be improved upon in the 1990s.

V. POLICY ISSUES IN THE 1990s

94. The primary objective of the Substantial New Programme of Action of introducing major structural changes in the LDCs during the 1980s has not been achieved. The economic crisis facing the region, and particularly the LDCs, warranted the adoption of short-term stabilization measures to redress persistent external imbalances. This shift in policy emphasis relegated transformational investment in basic economic infrastructure thereby postponing the fundamental restructuring of the LDCs economies towards a sustainable growth and development path. Adjustment programmes in the 1980s failed to bring about the necessary recovery and transformation of the adjusting LDCs economies in AFrica. The collapse in commodity prices and mounting external debt obligations compounded the already acute resource problems of the LDCs.

95. In the 1990s, 'adjustment' should continue to be a central focus in the LDCs economic management. The fragility of the LDCs economies and their vulnerability to external stocks, however, require a more comprehensive approach to adjustment. Such an approach should be framed in a continuous process that links short-term stabilization and adjustment measures with long-term development objectives and transformation. In designing the programmes, due account must be taken of the deep-rooted structural rigidities and the social and political realities of the LDCs in Africa. The "African Alternative" to Structural Adjustment Programmes provides a comprehensive guideline for the formulation of such macroeconomic policy frameworks and reform packages in the 1990s. [25]

96. By all indicators, African LDCs are the poorest in the world and hence their long-term development objective is to eradicate mass poverty and to attain a basic internationally acceptable minimum standards of living of the population. In such an economic environment, strategies and policies should essentially focus on the human dimension of development in order to increase the productivity and subsequently the income levels of the poor. Since the bulk of the LDCs population live in rural areas, strategies should entail an integrated approach to rural development involving a wide range of employment-

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[25] ECA: "The African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation".

generating activities accompanied by requisite infrastructural facilities to ensure the viability of the rural sector as the main provider of wealth in LDCs.

97. The African LDCs are predominantly mono-culture economies heavily dependent on one or two primary commodities for the bulk of foreign exchange earnings. Actions by the LDCs to diversify their export base must be propped up by increased access of the exports to markets of industrialized countries, particularly those of the OECD economies. The LDCs should be able to contribute increased value-added to their commodity exports through participation in the processing, distribution and marketing of these products. These issues should be adequately covered by the ongoing Uruguay Round of trade negotiations, the Lome IV Convention and through bilateral trade arrangements. The LDCs in Africa, by all counts, are unequal partners in international commodity markets, which fact of inequality deserves special treatment by multilateral and bilateral stabex schemes, especially the EEC/stabex and the IMF/CCFF.

98. The external debt stock and debt service obligations of the African LDCs is identified as major impediment in their economic recovery processes in the 1980s. According to the World Bank, fifteen LDCs in Africa are amongst the heavily indebted countries in the world. In terms of repayment capacities, however, all the 28 LDCs in Africa are debt-distressed. These countries continue to face difficult financial problems which have stifled proper economic management, an indication that debt-relief measures applied so far have had minimal impact. To ensure adequate recovery in the LDCs during the 1990s, official creditors should go beyond the Toronto "Menu" approach, and completely write-off the African LDCs debt as the only viable option if growth and development opportunities is not to elude these countries in the 1990s.

99. The LDCs in Africa are the most aid-dependent group among developing countries. Official development assistance (ODA) constitutes a significant proportion of the African LDCs fiscal budgets. In 1988, eleven LDCs in Africa received ODA equivalent to between 10 and 20 per cent of their GNP, another thirteen of them equivalent to more than 20 per cent of GNP and only four received between 5 to 10 per cent. This is a reflection of the over reliance of these countries on ODA flows which finances between 50 and 100 per cent of their capital budgets. In the 1990s, steps must be taken to increase ODA

flows commensurate to the funding requirements of public investment programmes (PIPs) of the LDCs; to improve the LDCs' absorptive capacities for efficient use of external assistance; to strengthen domestic aid management mechanisms; to introduce increased flexibility in the donors' aid practices and management that will be responsive to the broader development needs of the LDCs in Africa. Above all, efforts must be made to encourage greater internal autonomous resource inflows, both private and public, in to the LDCs. There is a lot that can be done through pbulic policy and incentives in the advanced industrial countries to make private investment in the LDCs more attractive.

100. A more detailed outline of the above policy reorientation during the 1990s is contained in the "Declaration" adopted by the Conference of Ministers of African Least Developed Countries, in April 1989. [26] Based on the experiences of the 1980s, the Ministers are proposing the launching of an immediate action programme for the period 1991-1993, as a component of the comprehensive action programme for the 1990s, in order to ensure emergency preparedness and to rehabilitate and reconstruct the LDCs' economies, while ensuring that medium- and long-term development plans and programmes are not impaired. In the final analysis, however, the success of a new programme for the 1990s will depend on mutually reinforcing commitments and the dedication of the international community and the LDCs themselves to create an environment for adequate recovery and for self-sustained economic growth and development. The primary concern in such development co-operation efforts must be to raise the living standards of the LDCs population as a whole.

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[26] ECA: Declaration by the Conference of Ministers of African Least Developed Countries: Preparatory to the second United Nations Conference on Least Developed Countries. Adopted at its ninth meeting, Addis ABaba, 4 and 5 April 1989. The Declaration was submitted to the meeting of Governmental experts of donor countries, bilateral and multilateral financial and technical assistance institutions with representatives of the least developed countries; Geneva, May 1989.

Annex I

GDP growth rate of African LDCs, 1981-1989

(1980 constant prices)

	1981-84	1984-85	1986	1987	1988	1989 *
Benin	4.4	1.2	-0.3	-3.7	4.4	2.9
Botswana	12.6	13.1	12.4	15.5	8.6	5.7
Burkina Faso	2.2	7.8	3.6	2.4	2.2	3.2
Burundi	2.6	6.8	3.3	4.5	4.7	5.3
Cape Verde	5.1	3.6	1.9	4.6	1.8	4.4
Central African Rep.	1.9	5.8	1.7	2.4	2.0	2.8
Chad	1.6	12.0	-2.4	0.2	5.0	4.0
Comoros	3.9	2.9	0.0	1.4	0.7	2.0
Djibouti	1.8	0.7	-0.6	0.0	-0.9	0.0
Equatorial Guinea	0.5	-0.8	0.0	-1.8	0.0	0.0
Ethiopia	1.6	-5.1	7.2	7.6	1.5	4.0
Gambia	1.2	-9.2	6.2	5.8	4.7	1.9
Guinea	2.8	1.7	3.1	5.6	4.1	3.2
Guinea-Bissau	1.2	4.9	-1.1	5.2	3.9	3.7
Lesotho	0.9	5.0	5.8	4.7	3.6	3.9
Malawi	3.4	7.3	2.0	0.5	1.1	3.7
Mali	1.2	0.5	5.9	3.9	4.8	3.5
Mauritania	0.1	-2.1	0.6	1.1	2.7	2.6
Mozambique	-8.0	-8.5	-10.8	2.1	4.2	4.9
The Niger	-3.9	5.5	4.5	-3.5	1.1	1.9
Rwanda	2.1	-1.5	4.7	-2.2	1.4	3.4
Sao Tome & Principe	-7.0	-5.7	-6.3	0.0	0.0	0.0
Sierra Leone	-0.1	-1.6	-3.7	0.1	-2.0	1.0
Somalia	1.9	6.9	0.5	1.3	6.1	3.2
The Sudan	2.7	-8.5	9.1	3.7	-1.4	6.7
Tanzania, United Rep.of	-0.2	2.2	3.0	3.7	-1.2	3.2
Togo	-2.8	2.1	3.2	1.4	2.2	3.5
Uganda	2.9	-4.7	-5.0	4.9	2.7	6.0
African LDCs	2.2	1.1	3.3	3.2	1.5	4.2

Source: ECA secretariat.

* Provisional.

Annex II

Land use and agricultural population trends in African LDCs

	Total pop. growth rate % 1970-85	Agruc. pop. growth rate % 1970-85	Per caput arable land in hectares a/ 1970	1985	Crop inten-sity 1985	Ag. pop. per Km2 arable land (1985)	Economically activ popu tion in agriculture Growth rate 1970-85	Percentag 1970	Share 1985
Benin	2.71	1.33	0.53	0.52	-	119	0.66	80.9	65.9
Botswana	3.91	2.16	2.19	1.84	12	114	1.44	85.5	66.8
Burkina Faso	2.11	1.89	0.50	0.44	50	227	1.62	88.3	85.6
Burundi	2.10	1.97	0.32	0.26	111	385	-0.32	93.5	92.0
Cape Verde	1.24	-0.83	0.22	0.25	-	400	-0.32	64.1	47.4
Central African Rep.	2.14	0.78	1.14	1.00	19	109	-0.08	82.9	67.8
Chad	2.14	1.27	0.88	0.79	23	127	0.89	90.2	79.3
Comoros	3.35	2.89	0.32	0.21	-	476	2.45	86.7	81.1
Equatorial Guinea	2.01	0.59	0.57	0.55	-	182	-0.19	75.0	60.8
Ethiopia	2.38	1.73	0.48	0.39	55	256	1.30	85.0	77.3
The Gambia	2.13	1.81	0.32	0.31	-	323	1.42	86.6	82.6
Guinea	3.09	1.57	0.40	0.32	32	313	1.01	85.2	77.6
Guinea-Bissau	3.56	3.43	0.55	0.40	-	250	2.82	84.1	80.6
Lesotho	2.41	1.89	0.38	0.24	72	417	1.48	89.9	83.3
Malawi	2.91	2.02	0.51	0.43	94	233	1.51	90.5	79.5
Mali	2.37	1.65	0.34	0.31	29	323	1.53	89.2	83.3
Mauritania	2.81	1.15	0.26	0.15	25	667	0.41	84.8	67.1
The Niger	2.62	2.26	0.69	0.66	55	147	1.65	94.3	89.3
Rwanda	3.32	3.21	0.15	0.13	148	769	2.91	93.7	92.1
Sierra Leone	1.61	0.71	0.63	0.69	47	145	0.12	75.5	66.0
Somalia	3.87	3.34	0.48	0.31	102	323	2.64	78.4	72.9
The Sudan	2.99	1.96	1.09	0.87	49	115	1.66	77.0	65.9
Tanzania, United Rep.of	3.46	2.86	0.32	0.22	64	455	2.29	90.4	83.4
Togo	2.58	2.08	0.86	0.64	49	156	1.64	76.7	71.3
Uganda	3.09	2.65	0.43	0.36	86	263	2.25	89.3	83.5
Total	2.76	2.06	0.54	0.44	-	227	3.40	66.7	76.9

Source: ECA secretariat calculations based on FAO Land Use Computer Printouts, 28 July 1987; FAO Production Year Book, Vol.40, FAO, Rome: Agriculture Towards 2000, FAO, 1987.

a/ Arable land divided by agricultural population.

Annex III

Percentage share of industrial branches in selected African LDCs, 1984

(1980 constant prices)

	Sectoral value added ($US)	Branch percentage share				
		Food	Textiles and clothing	Machinery and transport equipment	Chemicals	Other branches
Burkina Faso	148	63	16	1	-	19
Burundi	101	76	-	-	5	17
Chad	62	48	34	-	-	18
Mali	84	25	57	6	2	10
Mauritania	43	91	-	-	-	9
The Niger	78	33	27	-	11	26
Rwanda	210	72	-	-	3	25
Sierra Leone	75	42	-	-	6	52
The Sudan	694	38	-	3	4	56
Togo	67	43	38	-	-	19
Uganda	20	59	17	-	2	22

Source: ECA: Survey of Economic and Social Conditions in Africa, 1986-1987.

Annex IV

Table 2: Gross domestic savings rate of African LDCs, 1980-1989

(1980 constant prices)

	1980-84	1985	1986	1987	1988	1989
Benin	1.8	4.6	3.9	2.9	4.7	6.0
Botswana	32.4	41.2	43.9	48.6	49.3	48.7
Burkina Faso	-3.5	0.6	4.6	4.4	4.0	4.0
Burundi	6.2	6.5	5.2	7.9	7.0	7.9
Cape Verde	3.4	-1.9	-4.6	-3.5	-3.5	-4.2
Central African Rep.	1.1	-4.6	-9.5	-5.8	-4.2	-2.5
Chad	1.4	-6.9	-8.3	-10.3	-6.5	-3.7
Comoros	13.4	13.9	11.8	14.4	19.7	20.0
Djibouti	-6.0	-13.1	-16.7	-19.2	-21.9	-21.9
Equatorial Guinea	-9.9	7.1	10.7	10.9	10.9	10.9
Ethiopia	6.5	0.4	-2.0	2.5	6.2	10.2
The Gambia	8.3	4.9	1.7	-3.1	-4.9	4.8
Guinea	16.9	15.1	15.2	17.8	18.0	18.2
Guinea-Bissau	-16.3	-8.6	-8.7	-7.1	-7.4	-6.6
Lesotho	-16.3	-83.7	-73.3	-60.3	-49.5	-43.8
Malawi	8.1	12.2	11.1	10.8	10.6	10.5
Mali	-1.6	-3.1	4.8	12.2	13.6	10.8
Mauritania	-0.1	-6.0	-7.5	-12.1	-8.4	-9.3
Mozambique	-8.8	-18.7	-38.0	-43.2	-44.8	-45.5
The Niger	8.4	5.9	10.3	9.9	9.9	10.0
Rwanda	-3.7	-5.5	-6.1	-4.8	-4.1	-4.1
Sao Tome & Principe	-13.6	-18.7	-20.0	-20.0	-20.0	-20.0
Sierra Leone	0.3	-8.1	-8.0	-5.3	-6.8	-6.0
Somalia	-1.1	3.0	-0.8	2.2	4.8	6.0
The Sudan	3.3	4.2	3.9	-1.8	3.2	3.1
Tanzania, United Rep.of	9.0	3.2	13.8	13.9	13.4	13.5
Togo	17.9	14.7	16.8	18.8	19/7	20.5
Uganda	0.7	8.0	-0.6	-2.2	2.2	3.4
All African LDCs	3.7	2.9	3.2	3.6	5.7	6.2

Source: ECA secretariat.

Annex V

Gross domestic investment of African LDCs, 1980-1989

(Per cent of GDP at 1980 constant prices)

Country	1980-84	1985	1986	1987	1988	1989 *
Benin	18.3	7.1	4.5	15.6	2.9	17.0
Botswana	33.1	23.3	28.3	36.9	31.7	29.2
Burkina Faso	23.9	25.5	28.4	28.4	28.3	28.9
Burundi	17.3	13.5	10.6	18.8	17.9	18.8
Cape Verde	46.6	38.7	38.0	37.2	38.3	38.3
Central African Rep.	10.8	11.4	10.9	11.2	11.0	8.9
Chad	5.4	11.0	11.3	12.5	13.3	13.4
Comoros	36.5	42.4	36.1	34.9	34.0	33.3
Djibouti	23.4	22.5	21.7	22.3	23.2	23.2
Equatorial Guinea	22.3	17.9	16.1	14.5	14.5	14.5
Ethiopia	11.2	13.0	12.8	14.0	13.8	14.0
The Gambia	24.1	23.1	20.0	23.2	23.3	23.2
Guinea	12.2	10.4	10.5	10.1	10.8	11.7
Guinea-Bissau	25.6	24.0	24.3	23.1	22.8	21.4
Lesotho	31.7	29.5	27.4	28.4	26.1	26.0
Malawi	17.2	15.2	8.9	10.1	10.1	9.2
Mali	14.1	19.4	22.1	23.5	24.6	22.2
Mauritania	42.1	32.1	15.8	10.2	17.0	15.4
Mozambique	15.5	6.7	11.8	12.4	13.0	13.5
The Niger	16.2	11.8	13.0	15.8	15.8	15.8
Rwanda	13.9	17.7	16.1	17.1	17.5	17.5
Sao Tome & Principe	29.1	25.0	23.3	20.0	20.0	20.0
Sierra Leone	13.9	10.3	8.4	8.3	7.6	7.7
Somalia	14.8	18.4	13.6	14.9	17.3	18.5
The Sudan	14.5	16.8	13.7	9.7	13.8	13.7
Tanzania, United Rep.of	21.6	21.7	25.1	23.0	21.6	20.9
Togo	28.2	23.6	31.3	21.1	20.5	19.4
Uganda	5.3	5.2	7.2	7.8	8.1	8.3
All African LDCs	16.5	16.1	15.9	16.1	16.4	16.6

Source: ECA secretariat.

* Provisional estimates.

Annex VI

Total net external financial flows from all sources to African LDCs, 1981-1987

(in $US million)

Country	1980	1981	1982	1983	1984	1985	1986	1987
Benin	393	79	130	93	117	100	80	72
Botswana	53	73	80	126	182	163	135	158
Burkina Faso	235	142	174	203	185	197	233	206
Burundi	135	91	106	1 084	151	196	150	134
Cape Verde	63	47	52	66	68	74	97	63
Central African Rep.	127	70	69	103	121	117	119	122
Chad	34	36	43	97	120	191	139	148
Comoros	43	45	29	34	40	49	38	39
Djibouti	71	45	40	58	103	96	43	58
Equatorial Guinea	10	10	10	13	19	19	26	33
Ethiopia	270	172	154	425	612	947	713	516
The Gambia	86	77	37	38	50	50	86	76
Guinea	154	93	69	59	49	107	120	160
Guinea-Bissau	90	73	64	63	69	64	56	78
Lesotho	94	73	67	112	99	122	79	74
Malawi	188	128	91	109	199	123	189	211
Mali	269	157	150	195	343	374	279	259
Mauritania	146	172	169	181	140	174	129	135
Mozambique	320	279	235	262	255	411	426	465
The Niger	252	241	207	194	137	301	246	266
Rwanda	156	102	104	164	166	190	180	174
Sao Tome & Principe	2	5	8	13	13	15	11	14
Sierra Leone	93	60	73	69	65	60	74	65
Somalia	530	245	419	293	376	338	512	424
The Sudan	837	515	565	797	595	953	558	410
Tanzania, United Rep.of	838	584	507	589	629	555	544	704
Togo	181	34	66	153	122	93	108	76
Uganda	136	102	115	113	178	235	166	215
Total	5 807	3 750	3 835	4 808	5 203	6 274	5 638	5 356

Source: ECA secretariat calculations (at 1980 prices and exchaon data fOECD, UNCTAD and other sources.